

**REPORT OF THE AUDIT OF THE
CARROLL COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2006**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CARROLL COUNTY FISCAL COURT

June 30, 2006

The Auditor of Public Accounts has completed the audit of the Carroll County Fiscal Court for fiscal year ended June 30, 2006. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information.

Financial Condition:

The fiscal court had total net assets of \$12,310,993 as of June 30, 2006. In its governmental activities, the fiscal court had restricted net assets of \$53,610 and unrestricted net assets of \$6,310,164 as of June 30, 2006, with total net assets of \$12,224,142. In its business-type activities, total net cash and cash equivalents were \$86,851 with total net assets of \$86,851. The fiscal court had total debt principal as of June 30, 2006 of \$740,000 with \$80,000 due within the next year.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT	1
CARROLL COUNTY OFFICIALS	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS.....	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	23
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	27
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	31
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	35
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUND - MODIFIED CASH BASIS.....	39
NOTES TO FINANCIAL STATEMENTS.....	41
BUDGETARY COMPARISON SCHEDULES	53
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	57
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	60
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	64
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	69
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Harold Tomlinson, Carroll County Judge/Executive
Members of the Carroll County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carroll County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Carroll County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Carroll County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carroll County, Kentucky, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
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Members of the Carroll County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carroll County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2007, on our consideration of Carroll County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

February 26, 2007

CARROLL COUNTY OFFICIALS

For The Year Ended June 30, 2006

Fiscal Court Members:

Harold "Shorty" Tomlinson	County Judge/Executive
John Proctor	Magistrate
Dean Miller	Magistrate
Mark Bates	Magistrate

Other Elected Officials:

James Monk	County Attorney
Michael Humphrey	Jailer
Marketta Brock	County Clerk
Laman Stark	Circuit Court Clerk
Charles Maiden, Jr.	Sheriff
Rob Robertson	Property Valuation Administrator
James Dunn	Coroner

Appointed Personnel:

Debra Cayton	County Treasurer
Traci Courtney	Occupational Tax Collector
Nicki Beckham	Finance Officer

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CARROLL COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2006

CARROLL COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2006

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 6,363,774	\$ 86,851	\$ 6,450,625
Total Current Assets	<u>6,363,774</u>	<u>86,851</u>	<u>6,450,625</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land	232,533		232,533
Buildings and Land Improvements	3,961,434		3,961,434
Equipment	502,560		502,560
Vehicles	336,507		336,507
Infrastructure Assets - Net of Depreciation	<u>1,567,334</u>		<u>1,567,334</u>
Total Noncurrent Assets	<u>6,600,368</u>		<u>6,600,368</u>
Total Assets	<u>12,964,142</u>	<u>86,851</u>	<u>13,050,993</u>
LIABILITIES			
Current Liabilities:			
Revenue Bonds Payable	<u>80,000</u>		<u>80,000</u>
Total Current Liabilities	<u>80,000</u>		<u>80,000</u>
Noncurrent Liabilities:			
Revenue Bonds Payable	<u>660,000</u>		<u>660,000</u>
Total Noncurrent Liabilities	<u>660,000</u>		<u>660,000</u>
Total Liabilities	<u>740,000</u>		<u>740,000</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,860,368		5,860,368
Restricted For:			
Debt Service	53,610		53,610
Unrestricted	<u>6,310,164</u>	<u>86,851</u>	<u>6,397,015</u>
Total Net Assets	<u>\$ 12,224,142</u>	<u>\$ 86,851</u>	<u>\$ 12,310,993</u>

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2006

CARROLL COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,104,575	\$	\$ 128,233	\$
Protection to Persons and Property	2,752,776	1,939,794	158,709	160,989
General Health and Sanitation	299,158	1,195		
Social Services	81,013			
Recreation and Culture	465,738	61,083		
Roads	813,769		270,132	372,895
Airports	6,000			
Debt Service	29,370			
Capital Projects	88,025			
Total Governmental Activities	5,640,424	2,002,072	557,074	533,884
Business-type Activities:				
Jail Canteen	31,381	48,908		
Total Business-type Activities	31,381	48,908		
Total Primary Government	\$ 5,671,805	\$ 2,050,980	\$ 557,074	\$ 533,884

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Occupational Taxes

Other Taxes

Wireless 911 Fees

Excess Fees

Miscellaneous Revenues

Accrued Interest Received

Total General Revenues

Change in Net Assets

Net Assets (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

CARROLL COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2006
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (976,342)	\$	\$ (976,342)
(493,284)		(493,284)
(297,963)		(297,963)
(81,013)		(81,013)
(404,655)		(404,655)
(170,742)		(170,742)
(6,000)		(6,000)
(29,370)		(29,370)
(88,025)		(88,025)
(2,547,394)		(2,547,394)
	17,527	17,527
	17,527	17,527
(2,547,394)	17,527	(2,529,867)
279,229		279,229
291,722		291,722
82,739		82,739
2,478,570		2,478,570
33,695		33,695
67,095		67,095
15,596		15,596
563,671		563,671
96,475		96,475
3,908,792		3,908,421
1,361,398	17,527	1,378,429
10,862,744	69,324	10,932,068
\$ 12,224,142	\$ 86,851	\$ 12,310,993

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2006

CARROLL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2006

	General Fund	Road Fund	Jail Fund	Public Properties Corporation Fund	Ambulance Fund
ASSETS					
Cash and Cash Equivalents	\$ 4,093,284	\$ 659,130	\$ 960,793	\$ 53,610	\$ 349,896
Total Assets	<u>\$ 4,093,284</u>	<u>\$ 659,130</u>	<u>\$ 960,793</u>	<u>\$ 53,610</u>	<u>\$ 349,896</u>
FUND BALANCES					
Unreserved:					
General Fund	\$ 4,093,284	\$	\$	\$	\$
Special Revenue Funds		659,130	960,793		349,896
Debt Service Fund				53,610	
Total Fund Balances	<u>\$ 4,093,284</u>	<u>\$ 659,130</u>	<u>\$ 960,793</u>	<u>\$ 53,610</u>	<u>\$ 349,896</u>

The accompanying notes are an integral part of the financial statements.

CARROLL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2006
(Continued)

Non- Major Funds	Total Governmental Funds
<u>\$ 247,061</u>	<u>\$ 6,363,774</u>
<u><u>\$ 247,061</u></u>	<u><u>\$ 6,363,774</u></u>
\$	\$ 4,093,284
247,061	2,216,880
	<u>53,610</u>
<u>\$ 247,061</u>	<u>\$ 6,363,774</u>

**Reconciliation Of The Balance Sheet - Governmental Funds To The
Statement Of Net Assets**

Total Fund Balances	\$ 6,363,774
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	10,544,579
Accumulated Depreciation	(3,944,211)
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Revenue Bonds Payable	<u>(740,000)</u>
Net Assets Of Governmental Activities	<u><u>\$ 12,224,142</u></u>

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

CARROLL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	General Fund	Road Fund	Jail Fund	Public Properties Corporation Fund
REVENUES				
Taxes	\$ 3,165,956	\$	\$	\$
Excess Fees	15,596			
Intergovernmental	81,089	595,585	1,240,099	123,791
Charges for Services	1,195		247,470	
Miscellaneous	289,345	217,582	69,899	
Interest	76,325	6,676	10,238	239
Total Revenues	<u>3,629,506</u>	<u>819,843</u>	<u>1,567,706</u>	<u>124,030</u>
EXPENDITURES				
General Government	603,847			
Protection to Persons and Property	384,763		1,038,381	
General Health and Sanitation	213,981			
Social Services	76,013			
Recreation and Culture	223,240			
Roads		992,766		
Airports	6,000			
Debt Service				109,370
Capital Projects				
Administration	504,324	150,331	330,176	
Total Expenditures	<u>2,012,168</u>	<u>1,143,097</u>	<u>1,368,557</u>	<u>109,370</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,617,338</u>	<u>(323,254)</u>	<u>199,149</u>	<u>14,660</u>
Other Financing Sources (Uses)				
Transfers From Other Funds		191,362	50,000	
Transfers To Other Funds	(795,990)		(50,000)	
Total Other Financing Sources (Uses)	<u>(795,990)</u>	<u>191,362</u>	<u></u>	<u></u>
Net Change in Fund Balances	821,348	(131,892)	199,149	14,660
Fund Balances - Beginning (Restated)	3,271,936	791,022	761,644	38,950
Fund Balances - Ending	<u>\$ 4,093,284</u>	<u>\$ 659,130</u>	<u>\$ 960,793</u>	<u>\$ 53,610</u>

The accompanying notes are an integral part of the financial statements.

CARROLL COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2006
(Continued)

Ambulance Fund	Non- Major Funds	Total Governmental Funds
\$	\$ 67,095	\$ 3,233,051
		15,596
	156,275	2,196,839
528,653	61,083	838,401
2,101	42,534	621,461
715	2,281	96,474
<u>531,469</u>	<u>329,268</u>	<u>7,001,822</u>
	13,399	617,246
541,072	126,988	2,091,204
	83,423	297,404
		76,013
	299,976	523,216
		992,766
		6,000
		109,370
	88,025	88,025
214,733	47,664	1,247,228
<u>755,805</u>	<u>659,475</u>	<u>6,048,472</u>
<u>(224,336)</u>	<u>(330,207)</u>	<u>953,350</u>
386,193	218,435	845,990
		(845,990)
<u>386,193</u>	<u>218,435</u>	
161,857	(111,772)	953,350
188,039	358,833	5,410,424
<u>\$ 349,896</u>	<u>\$ 247,061</u>	<u>\$ 6,363,774</u>

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

CARROLL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ 953,350
Amounts Reported for Governmental Activities in the Statement of Activities Is Different Because:	
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets Is Allocated over Their Estimated Useful Lives and Reported as Depreciation Expense.	
Capital Outlay	788,252
Depreciation Expense	(460,204)
Bond Principal Payments Are Expensed in the Governmental Funds as a Use of Current Financial Resources. However, these Amounts Decrease Non-current Liabilities on the Statement of Net Assets and Have Been Eliminated on the Statement of Activities.	
Revenue Bond Principal Payments	<u>80,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,361,398</u></u>

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2006

CARROLL COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2006

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 86,851
Total Assets	<u>86,851</u>
Net Assets	
Unrestricted	86,851
Total Net Assets	<u><u>\$ 86,851</u></u>

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

CARROLL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Operating Revenues	
Canteen Receipts	\$ 48,908
Total Operating Revenues	<u>48,908</u>
Operating Expenses	
Educational and Recreational	<u>31,381</u>
Total Operating Expenses	<u>31,381</u>
Operating Income (Loss)	<u>17,527</u>
 Change In Net Assets	 17,527
Total Net Assets - Beginning	<u>69,324</u>
Total Net Assets - Ending	<u><u>\$ 86,851</u></u>

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

CARROLL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities	
Receipts From Customers	\$ 48,908
Payments to Suppliers	<u>(31,381)</u>
Net Cash Provided By Operating Activities	<u>17,527</u>
Net Increase in Cash and Cash Equivalents	17,527
Cash and Cash Equivalents - July 1, 2005	<u>69,324</u>
Cash and Cash Equivalents - June 30, 2006	<u><u>\$ 86,851</u></u>
 Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	 <u>Jail Canteen Fund</u>
Operating Income	<u>\$ 17,527</u>
Net Cash Provided By Operating Activities	<u><u>\$ 17,527</u></u>

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUND – MODIFIED CASH BASIS

June 30, 2006

CARROLL COUNTY
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUND - MODIFIED CASH BASIS

June 30, 2006

	<u>Agency Fund</u>
	<u>Jail Inmate Account</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 28,242
Total Assets	<u>28,242</u>
Liabilities	
Amounts Held In Custody For Others	\$ 28,242
Total Liabilities	<u>\$ 28,242</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	41
NOTE 2.	DEPOSITS.....	46
NOTE 3.	CAPITAL ASSETS	47
NOTE 4.	LONG-TERM DEBT.....	48
NOTE 5.	INTEREST ON LONG-TERM DEBT	48
NOTE 6.	EMPLOYEE RETIREMENT SYSTEM	48
NOTE 7.	DEFERRED COMPENSATION	49
NOTE 8.	INSURANCE	49
NOTE 9.	PRIOR PERIOD ADJUSTMENT	49

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Carroll County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Carroll County Public Properties Corporation - The Carroll County Public Properties Corporation was established for the purpose of providing long-term financing for approved projects. The Carroll County Fiscal Court is financially accountable for the component unit as part of the reporting entity and its financial activity is blended with that of the Fiscal Court.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Carroll County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Carroll County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Carroll County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Ambulance Fund - This fund is used to account for the county emergency medical services activities. Revenues are received from patients and transfers from the General Fund.

Public Properties Corporation Fund - The purpose of this fund is to account for debt service requirements of revenue bonds of the fiscal court. The Governor's Office for Local Development does not require the fiscal court to report or budget these funds.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, State Grants Fund, Solid Waste Fund, Parks and Recreation Fund, 911 Fund, and 911 Wireless Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, State Grants Fund, Ambulance Fund, Solid Waste Fund, Park and Recreation Fund, 911 Fund, and 911 Wireless Fund are special revenue funds. These funds are used to account for the proceeds of specific revenues and expenditures that are legally restricted for specific purposes.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Debt Service Fund:

The Public Properties Corporation Fund is a debt service fund and is used to account for the accumulation of resources for and payment of general long-term debt principal and interest.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, subject to lien and sale the 3rd Saturday in April following the delinquency date.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Government Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Jail Inmate Account for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Account - This fund accounts for funds received from prisoners upon arrival at the Detention Center and remitted to the prisoners upon release.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 20,000	10-25

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers from are budgeted in the General Fund to comply with these requirements. The State Local Finance Officer does not require this fund to be budgeted.

The State Local Finance Officer does not require the Jail Canteen Fund or the Jail Inmate Agency Fund to be budgeted because the fiscal court does not approve the expenditures made from these funds.

Note 2. Deposits

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy with regard to custodial risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Reporting Entity		
	Beginning Balance	Increases	Ending Balance
Primary Government:			
<u>Governmental Activities:</u>			
Capital Assets Not Being Depreciated:			
Land	\$ 232,533	\$	\$ 232,533
Total Capital Assets Not Being Depreciated	232,533		232,533
Capital Assets, Being Depreciated:			
Buildings and Land Improvements	5,456,220	25,258	5,481,478
Equipment	486,649	216,842	703,491
Vehicles	851,164		851,164
Infrastructure	2,729,761	546,152	3,275,913
Total Capital Assets Being Depreciated	9,523,794	788,252	10,312,046
Less Accumulated Depreciation For:			
Buildings and Land Improvements	(1,407,289)	(112,755)	(1,520,044)
Equipment	(156,951)	(43,980)	(200,931)
Vehicles	(457,219)	(57,438)	(514,657)
Infrastructure	(1,462,548)	(246,031)	(1,708,579)
Total Accumulated Depreciation	(3,484,007)	(460,204)	(3,944,211)
Total Capital Assets, Being Depreciated, Net	6,039,787	328,048	6,367,835
Governmental Activities Capital Assets, Net	\$ 6,272,320	\$ 328,048	\$ 6,600,368

Depreciation expense was charged to functions of the primary government as follows:

General Government	\$ 10,271
Protection to Persons and Property	144,875
General Health and Sanitation	1,754
Social Services	5,000
Recreation and Culture	16,481
Roads, Including Depreciation of General Infrastructure Assets	281,823
Total Depreciation Expense - Governmental Activities	\$ 460,204

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)

Note 4. Long-term Debt

On September 17, 2002, the Carroll County Public Properties Corporation issued \$1,040,000 First Mortgage Revenue Bonds, Series 2002. The bonds were issued for the purpose of refunding the Carroll County Public Properties Corporation First Mortgage Revenue Bonds (Justice Center Project), Series 1993, the proceeds of which were used to finance the construction of the Carroll County Justice Center. Interest is payable semi-annually on March 1 and September 1 of each year with a variable interest rate ranging from 1.45% to 3.90%. Principal payments are due on March 1 each year in the amounts stated below. The total principal balance outstanding as of June 30, 2006 was \$740,000.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	80,000	25,450
2008	85,000	23,250
2009	85,000	20,700
2010	90,000	17,980
2011	95,000	14,920
2012-2014	305,000	23,585
Totals	<u>\$ 740,000</u>	<u>\$ 125,885</u>

Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 820,000	\$	\$ 80,000	\$ 740,000	\$ 80,000
Governmental Activities Long-term Liabilities	<u>\$ 820,000</u>	<u>\$ 0</u>	<u>\$ 80,000</u>	<u>\$ 740,000</u>	<u>\$ 80,000</u>

Note 5. Interest On Long-Term Debt

Debt Service on the Statement of Activities includes \$27,370 in interest on bonds.

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan public retirement system, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)

Note 6. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Deferred Compensation

On February 24, 2000, the Carroll County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2006, Carroll County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Prior Period Adjustment

The beginning balances of the Jail Fund and Net Assets of Governmental Activities have been restated by \$371.

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CARROLL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006

CARROLL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2006

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 2,535,500	\$ 2,535,500	\$ 3,165,956	\$ 630,456
Excess Fees	4,210	4,210	15,596	11,386
Intergovernmental	68,686	68,686	81,089	12,403
Charges for Services	3,500	3,500	1,195	(2,305)
Miscellaneous	95,500	280,278	289,345	9,068
Interest	28,000	28,000	76,325	48,325
Total Revenues	<u>2,735,396</u>	<u>2,920,174</u>	<u>3,629,506</u>	<u>709,333</u>
EXPENDITURES				
General Government	769,770	705,412	603,847	101,565
Protection to Persons and Property	356,521	444,849	384,763	60,086
General Health and Sanitation	239,079	247,079	213,981	33,098
Social Services	70,353	81,518	76,013	5,505
Recreation and Culture	228,546	239,228	223,240	15,988
Transportation Facilities and Services	6,000	6,000	6,000	
Debt Service	1,328,600	1,328,600		1,328,600
Administration	1,088,681	1,419,641	504,324	915,317
Total Expenditures	<u>4,087,550</u>	<u>4,472,327</u>	<u>2,012,168</u>	<u>2,460,159</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,352,154)</u>	<u>(1,552,154)</u>	<u>1,617,338</u>	<u>3,169,492</u>
OTHER FINANCING SOURCES (USES)				
KARP Proceeds	1,328,600	1,328,600		(1,328,600)
Transfers To Other Funds	<u>(1,470,629)</u>	<u>(1,470,629)</u>	<u>(795,990)</u>	<u>674,639</u>
Total Other Financing Sources (Uses)	<u>(142,029)</u>	<u>(142,029)</u>	<u>(795,990)</u>	<u>(653,961)</u>
Net Changes in Fund Balance	(1,494,183)	(1,694,183)	821,348	2,515,531
Fund Balance - Beginning	<u>1,494,183</u>	<u>1,494,183</u>	<u>3,271,936</u>	<u>1,777,753</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (200,000)</u>	<u>\$ 4,093,284</u>	<u>\$ 4,293,284</u>

CARROLL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 580,937	\$ 580,937	\$ 595,585	\$ 14,648
Miscellaneous	1,500	207,064	217,582	10,518
Interest	4,000	4,000	6,676	2,676
Total Revenues	586,437	792,001	819,843	27,842
EXPENDITURES				
Roads	1,132,122	1,205,783	992,766	213,017
Administration	245,677	377,580	150,331	227,249
Total Expenditures	1,377,799	1,583,363	1,143,097	440,266
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(791,362)	(791,362)	(323,254)	468,108
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	191,362	191,362	191,362	
Total Other Financing Sources (Uses)	191,362	191,362	191,362	
Net Changes in Fund Balance	(600,000)	(600,000)	(131,892)	468,108
Fund Balance - Beginning	600,000	600,000	791,022	191,022
Fund Balance - Ending	\$ 0	\$ 0	\$ 659,130	\$ 659,130

CARROLL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,084,244	\$ 1,084,244	\$ 1,240,099	\$ 155,855
Charges for Services	170,501	170,501	247,470	76,969
Miscellaneous	169,411	169,411	69,899	(99,512)
Interest	7,835	7,835	10,238	2,403
Total Revenues	1,431,991	1,431,991	1,567,706	135,715
EXPENDITURES				
Protection to Persons and Property	1,011,692	1,097,501	1,038,381	59,120
Administration	920,299	834,490	330,176	504,314
Total Expenditures	1,931,991	1,931,991	1,368,557	563,434
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(500,000)	(500,000)	199,149	699,149
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			50,000	(50,000)
Transfers To Other Funds			(50,000)	50,000
Total Other Financing Sources (Uses)				
Net Changes in Fund Balance	(500,000)	(500,000)	199,149	699,149
Fund Balance - Beginning	500,000	500,000	761,644	261,644
Fund Balance - Ending	\$ 0	\$ 0	\$ 960,793	\$ 960,793

CARROLL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

AMBULANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 425,000	\$ 425,000	\$ 528,653	\$ 103,653
Miscellaneous	300	300	2,101	1,801
Interest	500	500	715	215
Total Revenues	425,800	425,800	531,469	105,669
EXPENDITURES				
Protection to Persons and Property	701,682	686,308	541,072	145,236
Administration	210,311	225,685	214,733	10,952
Total Expenditures	911,993	911,993	755,805	156,188
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(486,193)	(486,193)	(224,336)	261,857
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	386,193	386,193	386,193	
Total Other Financing Sources (Uses)	386,193	386,193	386,193	
Net Changes in Fund Balances	(100,000)	(100,000)	161,857	261,857
Fund Balances - Beginning	100,000	100,000	188,039	88,039
Fund Balances - Ending	\$ 0	\$ 0	\$ 349,896	\$ 349,896

CARROLL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2006

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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CARROLL COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2006

CARROLL COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2006

	LGEA Fund	State Grants Fund	Solid Waste Fund	Parks and Recreation Fund	911 Fund
ASSETS					
Cash and Cash Equivalents	\$ 84,009	\$ 32,613	\$ 33,565	\$ 21,279	\$ 31,703
Total Assets	<u>\$ 84,009</u>	<u>\$ 32,613</u>	<u>\$ 33,565</u>	<u>\$ 21,279</u>	<u>\$ 31,703</u>
FUND BALANCES					
Unreserved:					
Special Revenue Funds	\$ 84,009	\$ 32,613	\$ 33,565	\$ 21,279	\$ 31,703
Total Fund Balances	<u>\$ 84,009</u>	<u>\$ 32,613</u>	<u>\$ 33,565</u>	<u>\$ 21,279</u>	<u>\$ 31,703</u>

The accompanying notes are an integral part of the financial statements.

CARROLL COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2006
(Continued)

911 Wireless Fund	Total Non-Major Governmental Funds
<u>\$ 43,892</u>	<u>\$ 247,061</u>
<u><u>\$ 43,892</u></u>	<u><u>\$ 247,061</u></u>
<u>\$ 43,892</u>	<u>\$ 247,061</u>
<u><u>\$ 43,892</u></u>	<u><u>\$ 247,061</u></u>

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2006

CARROLL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2006

	LGEA Fund	State Grants Fund	Solid Waste Fund	Parks and Recreation Fund
REVENUES				
Taxes	\$	\$	\$	\$
Intergovernmental	47,442	36,157	14,809	
Charges For Services				61,083
Miscellaneous	37,361		1,664	3,509
Interest	1,002		108	99
Total Revenues	<u>85,805</u>	<u>36,157</u>	<u>16,581</u>	<u>64,691</u>
EXPENDITURES				
General Government	13,399			
Protection to Persons and Property		2,500		
General Health and Sanitation		4,363	79,060	
Recreation and Culture	126,815	7,380		165,781
Capital Projects	88,025			
Administration	4,975		21,134	21,555
Total Expenditures	<u>233,214</u>	<u>14,243</u>	<u>100,194</u>	<u>187,336</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(147,409)</u>	<u>21,914</u>	<u>(83,613)</u>	<u>(122,645)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds			88,611	129,824
Total Other Financing Sources (Uses)			<u>88,611</u>	<u>129,824</u>
Net Change in Fund Balances	(147,409)	21,914	4,998	7,179
Fund Balances - Beginning	231,418	10,699	28,567	14,100
Fund Balances - Ending	<u>\$ 84,009</u>	<u>\$ 32,613</u>	<u>\$ 33,565</u>	<u>\$ 21,279</u>

The accompanying notes are an integral part of the financial statements.

CARROLL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2006
(Continued)

911 Fund	911 Wireless Fund	Total Non-Major Governmental Funds
\$ 67,095	\$ 57,867	\$ 67,095
		156,275
		61,083
		42,534
545	527	2,281
<u>67,640</u>	<u>58,394</u>	<u>329,268</u>
		13,399
65,888	58,600	126,988
		83,423
		299,976
		88,025
		47,664
<u>65,888</u>	<u>58,600</u>	<u>659,475</u>
<u>1,752</u>	<u>(206)</u>	<u>(330,207)</u>
		218,435
		<u>218,435</u>
1,752	(206)	(111,772)
29,951	44,098	358,833
<u>\$ 31,703</u>	<u>\$ 43,892</u>	<u>\$ 247,061</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harold Tomlinson, Carroll County Judge/Executive
Members of the Carroll County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carroll County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated February 26, 2007. Carroll County presents its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carroll County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Carroll County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

February 26, 2007

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

CARROLL COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2006**

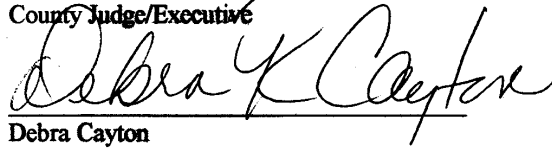
CERTIFICATION OF COMPLIANCE

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CARROLL COUNTY FISCAL COURT**

For The Fiscal Year Ended June 30, 2006

The Carroll County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Harold Tomlinson
County Judge/Executive


Debra Cayton
County Treasurer

